

House Study Bill 655

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON WAYS
AND MEANS BILL BY
CHAIRPERSON VAN FOSSEN)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act exempting from sales and use taxes certain equipment used
2 in transmitting telecommunications services.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 5894HC 81
5 mg/cf/24

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1 1 Section 1. Section 423.3, Code Supplement 2005, is amended
1 2 by adding the following new subsection:
1 3 NEW SUBSECTION. 47A. a. Subject to paragraph "b", the
1 4 sales price from the sale or rental of central office
1 5 equipment or transmission equipment primarily used by local
1 6 exchange carriers and competitive local exchange service
1 7 providers as defined in section 476.96; by franchised cable
1 8 television operators, mutual companies, municipal utilities,
1 9 cooperatives, and companies furnishing communications services
1 10 which are not subject to rate regulation as provided in
1 11 chapter 476; by long distance companies as defined in section
1 12 477.10; or for a commercial mobile radio service as defined in
1 13 47 C.F.R. } 20.3 in the furnishing of telecommunications
1 14 services on a commercial basis. For the purposes of this
1 15 subsection, "central office equipment" means equipment
1 16 utilized in the initiating, processing, amplifying, switching,
1 17 or monitoring of telecommunications services. "Transmission
1 18 equipment" means equipment utilized in the process of sending
1 19 information from one location to another location. "Central
1 20 office equipment" and "transmission equipment" also include
1 21 ancillary equipment and apparatus which support, regulate,
1 22 control, repair, test, or enable such equipment to accomplish
1 23 its function.
1 24 b. The exemption in this subsection shall be phased in by
1 25 means of a reduction in the tax rate as follows:
1 26 (1) If the sale or rental occurs between July 1, 2006, and
1 27 June 30, 2007, the rate of tax is four percent of the sales
1 28 price.
1 29 (2) If the sale or rental occurs between July 1, 2007, and
1 30 June 30, 2008, the rate of tax is three percent of the sales
1 31 price.
1 32 (3) If the sale or rental occurs between July 1, 2008, and
1 33 June 30, 2009, the rate of tax is two percent of the sales
1 34 price.
1 35 (4) If the sale or rental occurs between July 1, 2009, and
2 1 June 30, 2010, the rate of tax is one percent of the sales
2 2 price.
2 3 (5) If the sale or rental occurs on or after July 1, 2010,
2 4 the rate of tax is zero percent of the sales price.

EXPLANATION

2 6 This bill exempts from sales and use taxes central office
2 7 equipment and transmission equipment sold or rented for use in
2 8 transporting communications services by local exchange
2 9 carriers, competitive local exchange service providers,
2 10 certain franchised cable television operators, mutual
2 11 companies, cooperatives, municipal utilities and other
2 12 entities not subject to rate regulation, long distance
2 13 companies, and commercial mobile radio services. However, the
2 14 exemption is phased in by means of a tax rate reduction over a
2 15 five-year period beginning July 1, 2006. After June 30, 2010,
2 16 the equipment sales or rentals will be completely tax exempt.
2 17 The bill defines central office equipment as equipment used in
2 18 initiating, processing, amplifying, switching, or monitoring

2 19 of telecommunications services and any ancillary equipment and
2 20 transmission equipment as equipment utilized in the process of
2 21 sending information from one place to another.
2 22 LSB 5894HC 81
2 23 mg:rj/cf/24